

Tobacco Settlement Trust Fund

| Description | FY 2002 Approved | FY 2003 Proposed | % Change |
|------------------|------------------|------------------|----------|
| Operating Budget | \$33,254,000 | \$0 | NA |

The mission of the Tobacco Settlement Trust Fund is to provide for the transfer of funds realized through the financing of the Master Settlement Agreement (MSA) with the tobacco industry.

In November 1998, the District, 46 state governments and other jurisdictions signed the agreement, ending a four-year battle over medical treatment costs incurred for smoking-related illnesses. Under the settlement, the tobacco companies are scheduled to pay \$253 billion over 25 or more years. The receiving governments may use the funds for any purpose including issuance of revenue bonds.

In FY 2001 the District securitized its settlement payments in exchange for a lump-sum payment to repay existing long-term debt and thereby generate relief from that debt service.

The 2001 District of Columbia Appropriations Act as amended, requires that all debt service savings resulting from the securitization of the tobacco settlement funds be transferred to the Emergency and Contingency Reserve Funds each year until they are fully funded, which is expected to occur by the end of FY 2002. After the District's Reserve Funds are fully funded, the debt service savings will be devoted to program investments in areas such as health and education.

In FY 2003, the funds available in the Tobacco Settlement Trust Fund will be \$50,867,430. The fund plans to fulfill its mission by funding the following program investments:

- \$10,000,000 will be allocated for Medicaid reform activities including revenue collection enhancements.
- \$27,000,000 will be allocated to the D.C. Public Schools for Medicaid and Special Education operational improvements.
- \$7,072,000 will be allocated to the Child and Family Services Agency for Medicaid and other Federal revenue optimization.
- \$5,795,430 will be allocated to the Department of Human Services for Medicaid revenue enhancements.
- \$1,000,000 will be allocated to the Department of Health to support Tobacco control programs.

Funding for these programs is contingent upon the agencies submission of a savings plan, certified by the Chief Financial Officer. The plan must identify future savings comparable to the funds allocated in the proposed FY 2003 budget.

Where the Money Comes From

Table TT0-1 shows the source(s) of funding for the Tobacco Settlement Trust Fund.

Table TT0-1

FY 2003 Proposed Operating Budget, by Revenue Type

(dollars in thousands)

| FY 2000 | Actual FY 2001 | Actual FY 2002 | Approved FY 2003 | Proposed FY 2002 | Change From |
|--------------------|-------------------|-------------------|---------------------|---------------------|----------------|
| Local | 0 | 0 | 33,254 | 0 | -33,254 |
| Gross Funds | 0 | 0 | 33,254 | 0 | -33,254 |

How the Money is Allocated

Table TT0-2 shows the FY 2003 proposed budget for the agency at the Comptroller Source Group level (Object Class level).

Table TT0-2

FY 2003 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

| | Actual FY 2000 | Actual FY 2001 | Approved FY 2002 | Proposed FY 2003 | Change from FY 2002 |
|--|-------------------|-------------------|---------------------|---------------------|------------------------|
| Subsidies and Transfers | 0 | 0 | 33,254 | 0 | -33,254 |
| <i>Non-personal Services</i> | <i>0</i> | <i>0</i> | <i>33,254</i> | <i>0</i> | <i>-33,254</i> |
| Total Proposed Operating Budget | 0 | 0 | 33,254 | 0 | -33,254 |